UCR

# Upper Canada Resources Limited
## Annual Report 1974

UCR

**Upper Canada Resources Limited**

**TRANSFER AGENT AND REGISTRAR:**
Crown Trust Company, Toronto, Ontario

**AUDITORS:**
Clarkson, Gordon & Co., Toronto, Ontario

**HEAD OFFICE:**
Suite 908–40 University Avenue,
Toronto, Ontario
M5J 1T1

**ANNUAL MEETING:**
The Annual Meeting of the Shareholders will be held at the Royal York Hotel, Toronto, Ontario, on March 18, 1975 at 2:00 p.m.

**COVER**
Brinkerhoff Rig # 5E, on location at Sundre, Alberta.

**DIRECTORS:**
Roy H. Allen
Jack H. Botsford
F. Gary Carrotte
Eric Connelly
Allan H. T. Crosbie
Gerald F. Day
Evan T. Donaldson
Erica E. Goring
R. Michael Gray
John C. McBean
William A. Roliff
H. Frank Zurbrigg

**OFFICERS:**
John C. McBean
President
Jack H. Botsford
Vice-President, Mining
F. Gary Carrotte
Vice-President, Finance and Treasurer
Allan H. T. Crosbie
Vice-President, Corporate Development
Gerald F. Day
Vice-President and General Counsel
R. Michael Gray
Vice-President, Marketing
Erica E. Goring
Secretary

**DIVISIONS:**

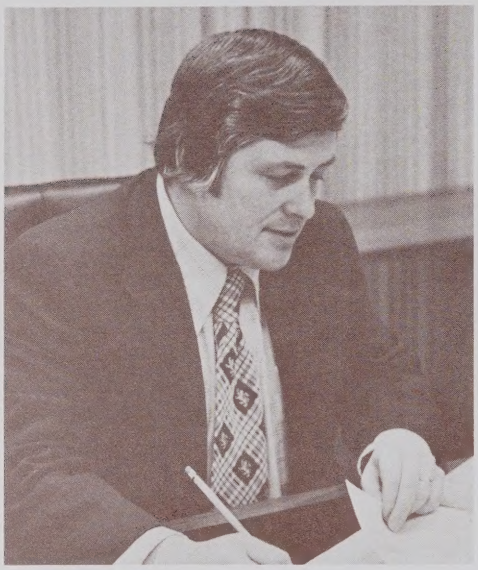
OIL AND GAS SERVICES
Brinkerhoff Drilling Canada Limited
Challenger Drilling Inc.
Challenger Services Limited
Challenger Rentals Ltd.
Roy H. Allen, President

MINERAL AND CONSTRUCTION DRILLING
Heath & Sherwood Drilling
Becker Drills Ltd.
Becker Drills Inc.
John N. Tilley, Executive Vice-President and General Manager

MANUFACTURING
Drill Systems, Inc.
Henry J. Sydor, Executive Vice-President and General Manager

MINING
Macassa Mine
Upper Beaver Mines Limited
Queenston Gold Mines Limited
Belleroche Mines Limited
Bankeno Mines Limited
Jack H. Botsford, Vice-President, Mining

OIL AND GAS HOLDINGS



**COMPARATIVE FINANCIAL HIGHLIGHTS 1974/73**

| | Nine Months Ended September 30, 1974 | Year Ended December 31, 1973 |
|---|---|---|
| Revenue | $21,803,000 | $21,793,000 |
| Operating income before taxes and extraordinary items | 1,007,000 | 1,011,000 |
| Taxes | 558,000 | 538,000 |
| Operating income before extra-ordinary items | 449,000 | 473,000 |
| Extraordinary items | 523,000 | (202,000) |
| Net Income | 972,000 | 271,000 |
| Earnings per share | | |
| Before extra-ordinary items | .08 | .09 |
| Extraordinary items | .09 | (.04) |
| | .17 | .05 |
| Fixed assets at cost less accumulated depreciation | 19,668,000 | 14,220,000 |
| Long term debt | 9,267,000 | 6,791,000 |
| Shareholders' equity at book value | 10,252,000 | 8,323,000 |
| Shareholders' equity per share at book value | 1.79 | 1.52 |

**TO THE SHAREHOLDERS:**

At the last shareholders' meeting, the UCR fiscal year end was changed to September 30th. Accordingly, audited financial results are for a nine month period, compared to a twelve month period for 1973.

For the nine months ending September 30, 1974, consolidated sales were $21.8 million, an increase of 30% from the corresponding nine month period in the previous fiscal year. Oil and Gas Services revenues increased substantially primarily due to industry price increases and the acquisition, in the latter part of 1973, of Challenger Services Limited, a seven rig well servicing company located in Alberta. Mineral and Construction Drilling revenue also increased significantly, primarily due to increased volume and general industry price increases.

While sales increased, operating profits before taxes and extraordinary items for the nine months ending September 30, 1974 declined by about 20% compared to the corresponding period in the previous fiscal year. The favourable trend of earnings established in the first quarter was due primarily to continuing increases in the price of gold and the high level of oil and gas drilling activity. This was reversed in the second and third quarters because of the slightly lower price of gold, labour cost increases and reduced production at the Macassa Mine, the incurring of expenses for abnormally large drill pipe purchases for the Oil and Gas Services Division, and a sharp decline in oil and gas drilling activity following the Federal election in July. To offset the decline in Canadian oil and gas drilling, a number of Brinkerhoff drilling rigs were moved to the United States over the summer. It was not until after the year end, however, that operating profits from the relocated rigs were restored.

The substantial portion of the Company's profits were generated from Gold Mining and Oil and Gas Services. Mineral and Construction Drilling generated a small profit compared to the losses in the corresponding nine months in the previous year. Mining profits were up because the increased price of gold was more than sufficient to offset increased operating costs and lower tonnage. These increases, however, were more than offset by start up losses in Manufacturing and a decline in profits from the previous year in Oil and Gas Services. The Manufacturing Division, established in 1974, is expected to contribute substantially to earnings in the second quarter of the 1975 fiscal year as deliveries of Drill Systems' Hammer Drills are made to the Trans-Alaska Pipeline consortium.

Although the general outlook for the 1975 fiscal year is for increased profits, earnings from Oil and Gas Services and Mineral and Construction Drilling are uncertain. Current low levels of exploration and development activity in the oil and gas and mining industries in Canada combined with delays in construction projects associated with development of these resources are likely to persist until some degree of confidence returns to these sectors. Unfortunately, confidence will only return when governments recognize the importance to the development of Canada's economy of encouraging an attractive investment climate for resource development.

As a minimum, a satisfactory investment environment is possible only when:

i) the Federal and Provincial Governments resolve current conflicts regarding resource product production, pricing and revenue sharing;

ii) stable and competitive royalty, taxation and foreign ownership policies are implemented both to attract foreign and to encourage domestic resource investment;

iii) commodity prices are allowed to more adequately reflect free world supply and demand conditions;

iv) explorers and producers earn a fair share of revenue and obtain an adequate return on investment commensurate with increasing risks and accelerating costs of exploration, development and production activities in the more remote areas of Canada;

v) export control policies reflect adequate long range protection for domestic requirements, but encourage investment and growth in resource development and consequent export earnings for Canada; and

vi) attractive land tenure regulations are established in Northern Canada.

Although we are confident that, in due course, most of the basic political issues hampering Canada's resource development will be solved, this would not appear to be imminent. Accordingly, we may expect that depressed conditions in these industries will continue to affect UCR over the short term. To offset this,

efforts to relocate drilling equipment and personnel in more favourable foreign markets, particularly the United States, have been accelerated. Additionally, marketing efforts for the Company's manufactured products are being concentrated in export markets.

During the year the Company continued to suffer from a working capital shortage. In order to restore working capital to an appropriate level, capital expenditures have been reduced to a minimum. In view of the Company's high rate of growth over the past few years, management's immediate objective is to consolidate overall operations with a view to improving liquidity and profitability. The working capital shortage will be reduced by:

i) the sale of the Manufacturing Division's former Calgary plant for approximately $450,000 cash at the end of December;

ii) the expected $1.5 million four year loan insured by the Federal Government under its General Adjustment Assistance Program to finance the expansion of the Company's Manufacturing operation; and

iii) payments by the Trans-Alaska Pipeline consortium as deliveries are made of five 520 Hammer Drills in the early part of 1975.

Operations of the divisions are reviewed in some detail in the body of the report. The following lists some of the highlights of the past year.

- Due to the world wide shortage of oil and gas drilling equipment, there has been a substantial increase in the value of the Company's drilling rigs and related equipment over the last year. For example, based largely on outside independent appraisals, the Company's 23 oil and gas drilling rigs have an appraised value of $17.5 million, approximately $3.5 million more than the value at which they are carried in the Company's financial statements at year end.
- The Fairbanks operation of Becker Drills is fully engaged in contracts exceeding $4 million in gross value which are directly related to construction of the Trans-Alaska Pipeline and feeder systems on the North Slope of Alaska.
- Drill Systems' first 520 Hammer Drill production rig was delivered in late October to Becker Drills for work on the Alaskan North Slope. The first unit for the Trans-Alaska Pipeline consortium was shipped in January and deliveries are progressing in an orderly manner. Deliveries were delayed by shortages of skilled labour and certain critical component parts.
- In anticipation that the price of gold will remain at high levels, exploration and development programs at the Macassa Mine are being accelerated to expand proven ore reserves.
- Detailed geological and mining feasibility reviews are being done on the suspended Upper Beaver gold mine and the 22% UCR-owned Queenston Gold Mines Limited properties with a view to developing and processing ore through the idle Upper Canada mill. Further geophysical and drilling programs are contemplated for these areas.
- Geophysics and a limited diamond drilling program were completed in the summer of 1974 on the dormant Cadillac Township gold property of 75% UCR-owned Belleroche Mines Limited. Significant gold values from .2 to .89 ozs. of gold per ton were encountered in nine separate sections over widths from 2 to 9.5 feet. A geological and mining review of the property is in process.
- Capital expenditures of over $7 million were incurred during the year. Brinkerhoff's $4 million drilling rig with a depth capacity of 18,000 feet was delivered in August and is presently at work in the MacKenzie Delta area on a four year contract. Drill Systems' new Calgary manufacturing facilities were acquired at a cost of $1.1 million. The move into the new plant was accomplished over the summer.
- A 5.33% interest in certain sour gas leases in the North Coleman area of Alberta was acquired during the year. A gas sales contract has been signed, with production anticipated by the Spring of 1975. This acquisition was paid for through the issuance of shares of UCR at $3.50 per share and the sale of some of UCR's shareholdings of Bankeno at $4.17 per share.
- UCR owns 23% of Bankeno Mines Limited. Bankeno holds a 2.21% interest in Panarctic. Estimates of Panarctic's gas reserves are in the order of 12 trillion cubic feet. Panarctic is directing priority efforts to expanding known gas reserves sufficient to justify construction of the proposed Polar Gas Pipeline.
- Cominco has completed feasibility studies on the Arvik Mines Limited Polaris zinc/lead deposit on Little Cornwallis Island, in which Bankeno has a 25% carried equity interest. An earlier anticipated production decision late in 1974 has been delayed until sometime in 1975. We continue to be confident that Arvik will be a major producer of zinc and lead and, in the long term, a source of substantial income to Bankeno.

During the year the Company continued to strengthen its senior management and its board of directors. Mr. Allan H. T. Crosbie was appointed Vice-President, Corporate Development and a Director of the Company. Mr. Gerald F. Day, a director of UCR since 1964, was appointed Vice-President and General Counsel of the Company. Prior to their joining UCR, Mr. Crosbie was a Vice-President of Wood Gundy Limited and Mr. Day was principal counsel for the Company as a partner with Day Wilson Campbell.

During the year Mr. Eric Connelly, Dr. William A. Roliff and Mr. H. Frank Zurbrigg joined the Company's board of directors. Mr. Connelly is active in the oil and gas industry in Western Canada and is a director of several major Canadian corporations. Dr. Roliff, prior to his retirement, was Senior Advisor on Minerals for Imperial Oil. Mr. Zurbrigg, prior to his retirement, was Vice-President Exploration for The International Nickel Company of Canada, Limited. The Company is fortunate in being able to draw upon the wisdom and experience of these new directors.

UCR employs directly and indirectly about 1,150 people. Personnel are located across Canada, in the western United States, Alaska and from time to time in other foreign countries. The Directors of the Company extend to these employees sincere appreciation for their efforts and achievements.

Respectfully submitted,

JOHN C. McBEAN
PRESIDENT

Toronto, Ontario
January 24, 1975

OIL AND GAS SERVICES
Brinkerhoff Drilling Canada Limited
Challenger Drilling Inc.
Challenger Services Limited
Challenger Rentals Ltd.

## OIL AND GAS SERVICES

This division includes Brinkerhoff Drilling Canada Limited and Challenger Drilling Inc., which operate a total of 23 oil and gas drilling rigs in Canada and the United States, Challenger Services Limited, a seven rig well servicing company operating in the Swan Hills area of Alberta, and Challenger Rentals Ltd. which is engaged in the rental of oil and gas drilling equipment in Alberta and to a limited extent in the United States. In the nine months ending September 30, 1974, Oil and Gas Services accounted for approximately 50% of the Company's gross revenue. Revenues increased 25% compared to the corresponding period in the previous fiscal year, primarily due to industry price increases and the acquisition of Challenger Services in the latter part of 1973.

Improved earnings experienced in the first four months of the year were offset by expenses incurred for abnormally large drill pipe purchases after the first quarter, and a significant decline in drilling activity after the July Federal election. While oil and gas exploration and development activity in the Canadian petroleum industry over the next decade is expected to exceed historical levels, to improve profitability in the interim, efforts are continuing to relocate equipment in the United States and other currently active foreign areas of operation. Six Brinkerhoff rigs were moved to the United States over the summer to take advantage of continued improvement in drilling activity in that country. Plans are also being made to move assets used in the equipment rental business to Casper, Wyoming. Offices have been opened in Denver, Colorado, Casper, Wyoming and Anchorage, Alaska.

The following table provides an indication of the levels of activity for the nine months ended September 30, 1974 compared to the corresponding period in 1973.

| | 1974 | 1973 |
|---|---|---|
| Oil and gas drilling-revenue days | 3,412 | 3,654 |
| Well servicing-revenue hours | 8,730 | 7,918 |
| Equipment rentals-gross revenue | $791,134 | $781,910 |

Of the 23 drilling rigs, eight rigs are located in the Alberta Foothills and related areas, six rigs in Northeastern British Columbia, three rigs in the Canadian Arctic, five rigs in the U.S. Rocky Mountain area and one rig on the Alaska North Slope. The Company is well situated to take advantage of the trend to deeper drilling because of the relatively high proportion of rigs with deep footage capacity. Six of the Company's 23 drilling rigs are in the 8,000 foot to 12,000 foot category and 10 are in the 12,000 foot to 19,000 foot category.

During the fiscal year the Company acquired two new rigs. The first was a $4 million diesel electric drilling rig with a depth capacity of 18,000 feet, which was designed by the Company for Arctic development drilling. It was delivered in August and is presently in the MacKenzie Delta area under a four year contract to one of the major integrated oil companies. The second is a deep capacity well servicing rig for use by Challenger Services Limited.

Past efforts to increase efficiency are showing results with improvements in profitability on footage contracts, a marked reduction in accidents and control of rig maintenance costs. Steps have been taken to apply stringent controls to operating expenses and capital outlays for the current fiscal year.

Brinkerhoff Rig #14, on location at Old Crow, Yukon.

MINERAL AND CONSTRUCTION DRILLING
Heath & Sherwood Drilling
Becker Drills Ltd.
Becker Drills Inc.

Drilling a Grouting Anchor Hole for a transmission line project in Northern Manitoba.

## MINERAL AND CONSTRUCTION DRILLING

For the nine months ended September 30, 1974, mineral and construction drilling accounted for approximately 40% of consolidated sales. Sales increased approximately 35% from the corresponding period in the previous year as a result of an overall increase in activity and general industry price increases. This increase in sales combined with better control over operations resulted in a turnaround in profits compared to the losses incurred by this division in the previous year. The Division's activities are carried on through Heath & Sherwood Drilling and Becker Drills Ltd. Heath & Sherwood is engaged in mineral drilling in Eastern Canada and Becker is engaged primarily in construction drilling in Western Canada and the United States.

### HEATH & SHERWOOD

Heath & Sherwood Drilling provides drilling services to the mining industry. It operates a fleet of surface and underground diamond drills with capacities ranging to 12,000 feet in depth.

A substantial portion of revenues is provided by contracts for sampling of iron ore in the Labrador iron ore region and deep hole development work in the Sudbury nickel basin. In addition, diamond drilling work is done for a number of customers out of the main branch located in Kirkland Lake, Ontario and to a more limited extent out of the branch in The Pas, Manitoba.

With the experience gained and the techniques developed for the reverse circulation chip sampling of friable iron ore formations, the Company is expanding this type of drilling operation into foreign areas. Heath & Sherwood Drilling has had a number of years experience in drilling in foreign countries including Central and South America, Europe, Africa and Asia. It is hoped that the expansion of foreign operations will offset an expected decline in the Company's mineral drilling operations in Eastern Canada which has been brought about by the uncertain outlook for mining created by adverse government policies. The Company is at present performing a contract for iron ore sampling in Liberia. The Company hopes to expand its activities in dual tube chip sampling for geochemical analysis in glacial drift areas. The Company's new techniques have been successfully proven in operations in Northern Ontario and Northern Quebec.

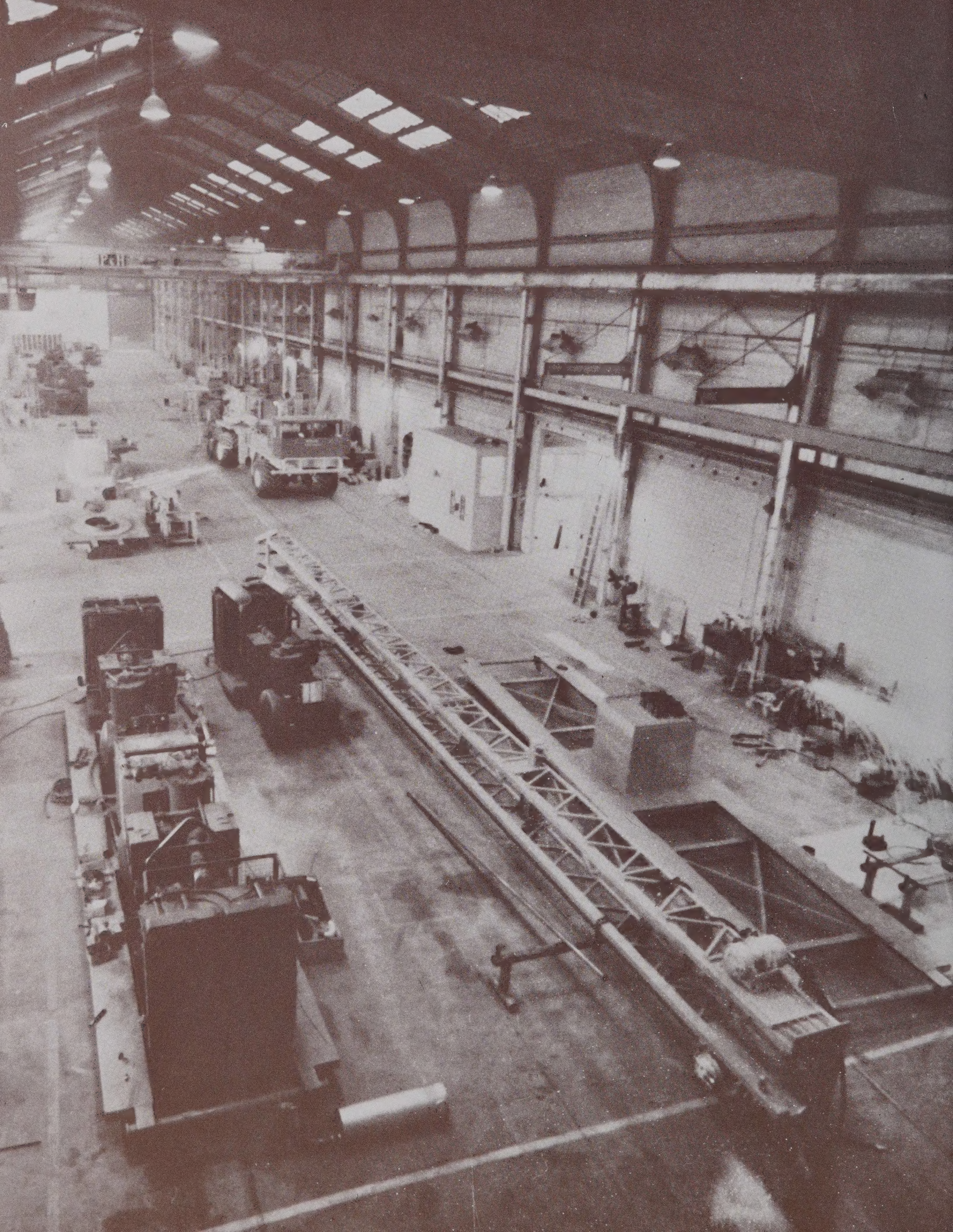
### BECKER

Becker operates 31 drilling rigs of which 16 are hammer drills, 12 are centre sample rotary drills and 3 are auger drills. Branches are located in Calgary, Alberta, Fairbanks, Alaska and Denver, Colorado.

The Calgary operations are primarily engaged in coal sampling in Western Canada, coring for the Tar Sands and various types of construction drilling applications for major hydro-electric projects. During the past year, Becker completed a major drilling program for the construction of a 100 mile transmission line for Manitoba Hydro. Over the years, Becker has been prominent in construction drilling for guyed-wire construction transmission line projects, and is optimistic of additional contracts in this field. While the outlook for coal sampling is attractive, the work in the Tar Sands is uncertain and will depend on the extent to which the major Tar Sands projects go ahead.

The Fairbanks operations are primarily engaged in soil sampling and the drilling of pilings holes for the construction of the Trans-Alaska Pipeline and its auxiliary and feeder systems. To date, the Company has obtained approximately $4 million of drilling contracts for work in Alaska over the next year-and-a-half.

The Denver operations are engaged mainly in mineral drilling and soil sampling.



New 60,000 sq. ft. Drill Systems Plant, in Calgary, Alberta.

## MANUFACTURING

The Division's activities are carried on through Drill Systems Inc. plants located in Calgary, Alberta and North Bay, Ontario.

### CALGARY

The Division now operates out of its recently acquired 60,000 square foot factory in Calgary, Alberta. Following receipt of substantial orders in connection with the Trans-Alaska Pipeline for the Becker 520 Hammer Drill and related equipment, it was decided to acquire a larger manufacturing plant at a cost of $1.1 million early in 1974, as the existing facility was inadequate for efficient production. The smaller plant was sold in December 1974 for about $450,000.

The main products manufactured are the Becker line of Hammer and Centre Sample Rotary Drills and related equipment, including drill pipe, bits and accessories. In addition to the manufacture of these products, the plant has the facilities to take on custom manufacturing and fabrication. To date, Becker Hammer Drills have accounted for the substantial portion of sales.

Prior to January 1, 1974 these manufacturing operations were carried on by Becker Drills Ltd. as an integral part of its drilling business. Practically all products manufactured were for use in that business. On January 1, 1974, the Becker manufacturing operations were taken over by Drill Systems Inc. and efforts were directed to develop outside markets for Becker's range of products.

The Becker Hammer Drill employs a patented method using a pile driving hammer to drive the drill pipe through the ground. It is used for soil testing, mineral exploration, drilling of pilings and drilling of holes in connection with construction foundation and anchoring systems. Compared to other drilling methods, the Becker hammer technique is particularly competitive for certain types of soil conditions, specifically those involving overburden, gravel deposits, tills, unconsolidated sediments and placer type deposits. In addition, one of the advantages of the Becker Hammer Drill is that it produces an uncontaminated sample, which is important for soil testing and mineral exploration. The Hammer Drill has been particularly successful in drilling through permafrost.

The Company has developed the prototype 520 Hammer Drill using 18″ diameter drill pipe for use primarily in the drilling and installation of pilings in permafrost in order to take advantage of the unique applications of the Becker Hammer Drill technology for the difficult drilling conditions found in the Arctic. The rig is designed to permit the drilling and casing of a hole simultaneously. The prototype has been operating successfully in Alaska for about a year.

In addition to the prototype, orders grossing approximately $5.5 million have been received for five 520 Becker Hammer Drills using 24″ diameter drill pipe, plus accessory equipment for use in the drilling of pilings in connection with the construction of the Trans-Alaska Pipeline. As only a relatively small portion of the deliveries for these orders were made in the fiscal year ending September 30, 1974, the main impact of the orders on sales and profits will not be felt until the second quarter of the 1975 fiscal year.

The first production 520 Hammer Drill was delivered to Becker Drills in October 1974 for use on the Alaska North Slope. The first unit for the Trans-Alaska Pipeline was shipped in January and deliveries are now progressing in an orderly manner. Based on orders received to date, full production through to the second quarter of the 1975 fiscal year is assured. During the year, production was hampered by shortages of skilled labour and critical component parts. The labour deficiency has been improved in large measure by recruiting skilled tradesmen from the U.K.

The division has concentrated on developing international markets for its product line through participation in trade shows.

### NORTH BAY

The diamond products division's activities are conducted in its 10,000 square foot manufacturing plant in North Bay. This plant is primarily engaged in the manufacture of diamond drill bits. The substantial portion of the plant's output is used by Heath & Sherwood Drilling. Sales are expected to be relatively stationary in view of the outlook for Canadian mineral exploration.

Other products from this plant, which account for a relatively small proportion of the overall sales, are the "Packsack" drill, reaming shells which are devices used to maintain drill hole diameters during diamond drilling operations, and the Mini-Deve stabilizing shell which is a patented reaming shell assembly.

## MINING

### MACASSA MINE

Under a management agreement, UCR operates the Macassa Mine for Willroy Mines Limited. Under this agreement, UCR is entitled to 50% of the profits and is liable for all of the losses. Operating costs per ounce of gold produced increased because of increased wages and slightly lower production rates. Production rates were adversely affected by labour shortages, more difficult mining conditions and a slight reduction in average grade. However, profits still increased substantially over the corresponding period in the previous year primarily because of the increased price of gold.

Operating statistics for the period are as follows:

| | Nine months ended September 30, 1974 | Year ended December 31, 1973 |
|---|---|---|
| Tons of ore milled: | | |
| —Total | 68,126 | 98,976 |
| —Per day | 249 | 271 |
| Average grade (ounces per ton) | 0.514 | 537 |
| Recovery (percent) | 95.19 | 95.01 |
| Ounces produced-gold | 33,340 | 50,529 |
| -silver | 7.174 | 9,227 |
| Price received per ounce-gold | $150.66 | $95.59 |
| -silver | $4.69 | $2.51 |
| Estimated developed ore reserves at end of period | 232,690 tons @ .535 ozs. per ton | 248,410 tons @ .57 ozs. per ton |

A two year labour contract was signed effective June 1, 1974 providing for a large increase in wages and fringe benefits. Although wages are now competitive with other industries in the area, all phases of the operation are still adversely effected by labour shortages.

Exploration to locate new ore bodies and to test the extension of ore bodies now in reserves has met with some success. Diamond drilling above the 5,400 foot level has indicated good values in the "T" structure 250 feet above that level. This is the important branch vein structure which has provided much of the high grade ore from the Tegren property. The westward extension of the mine was tested by an exploration drift on the 6,000 foot level and has exposed approximately 400 feet of half-ounce ore on a claim owned jointly by UCR and Willroy. This is significant as it extends the potential ore bearing ground to the west and to greater depths.

Pouring gold at the Macassa Mine, Kirkland Lake, Ontario.

In addition to ore mined from Macassa, ore is mined from adjoining lands which are owned by Tegren Goldfields Limited, and which have been leased under a royalty arrangement.

### LAKE SHORE TAILINGS PROJECT

In August 1974 UCR exercised its option to enter into an agreement with Lake Shore Mines Limited, Willroy Mines Limited and Wright-Hargreaves Mines Limited to rework tailings on their properties in the South Arm of Kirkland Lake. UCR will keep 50% of the profits after recovering capital costs associated with the project. Detailed operational studies as to alternative types of mining and milling methods are still in progress.

### EXPLORATION

Kirkland Lake and Val d'Or gold properties, in which UCR has varying interests, have been made more attractive with the increase in the price of gold over the past year and the possibility of utilizing the preserved but idle Upper Canada mill at Dobie, Ontario. The 100% owned Upper Beaver property and 22% owned Queenston Gold Mines property are the main focus of current geological and mining feasibility review as both are within a few miles of the Upper Canada mill and both contain established reserves.

The Upper Beaver property produced 427,000 tons grading 0.2502 ozs. of gold per ton and 1.28% copper before terminating operations in January 1972. Closure was brought on by the low prices of gold and copper at that time and the shutdown of the Upper Canada mill early in 1971. Probable reserves left in the mine on closing were calculated at 75,550 tons grading 0.2402 ozs. of gold per ton and 1.35% copper. Subsequent review of the reserves and past underground exploration suggests significant additional drill-indicated reserves with similar grades occurring within reach of the present mine workings. An early decision to consider resumption of production depends largely upon improvements in copper prices, availability of skilled mine labour and additional sources of ore to justify reopening of the Upper Canada Mill.

Queenston's main property consists of 38 patented mining claims straddling the "Larder Lake Break". Underground development was completed on the main property intermittently through four shafts from 1928 to 1951. However, no significant production has been undertaken. Possible reserves from underground development in the Anoki and Queenston main zones total 390,350 tons grading 0.128 ozs. gold per ton, with a 15% dilution factor. Additional drill-indicated reserves to the 700-foot level total in excess of 150,000 tons of similar grade but require further verification. Both the Anoki and the Queenston west zones are open at depth and the latter has been intersected by drilling to the 1000-foot level.

In 1974 limited ground magnetics and five holes totalling 2,200 feet of diamond drilling were completed on the "Cadillac Malarctic Gold Break" property of 75% owned Belleroche Mines Limited, a dormant producer located four miles east of the O'Brien Mine. Significant values from .2 to .89 ozs. of gold per ton were encountered in nine separate sections over widths from 2.0 to 9.5 feet. These occur in a zone of strong favourable alterations 750 feet west of the former Pandora #3 production shaft and 100 feet west of related underground workings.

Continued exploration west of the Macassa property will include, as a matter of course, review of claims comprising the Upper Kirkland Mines Limited property, a 60% owned subsidiary of UCR.

MINING
Macassa Mine
Upper Beaver Mines Limited
Queenston Gold Mines Limited
Belleroche Mines Limited
Bankeno Mines Limited

## BANKENO MINES LIMITED

UCR owns 958,445 shares of Bankeno Mines Limited, being a 23% interest. While active developments took place in Bankeno's two main investments, namely Arvik Mines Limited and Panarctic Oils Ltd., the status of both interests remains essentially unchanged from 1973.

Bankeno owns a 25% carried interest in Arvik Mines Limited. Cominco Limited is the operator for Arvik and owns the remaining 75%. Arvik holds the ground on Little Cornwallis Island in the high Arctic including the Polaris deposit, where 25 million tons grading 14.1% zinc and 4.3% lead have been outlined. Cominco has completed its feasibility study of this deposit, and although most technical details are believed solveable, a production decision expected for 1974 has been delayed until sometime in 1975. Work on the property during 1974 was directed to upgrading information for the feasibility study and to completing limited exploration tests elsewhere on the Island. It is expected that the results of this work should be available by the spring of 1975.

Bankeno also maintains its 25% working interest on favourably located zinc/lead prospects on Cornwallis Island to the south. Cominco Limited, which has the remaining 75% interest, undertook additional primary exploration programs here during the past season.

Bankeno holds a 2.21% share interest in Panarctic Oils Ltd. Recent public reports have tended to confirm earlier estimates of proven and probable discovered gas reserves in the order of 12 trillion cubic feet on Panarctic Oils Arctic acreage on Melville Island, King Christian Island and Elleff Ringnes Island. Primary efforts of Panarctic are being directed towards speedy discovery of sufficient reserves to justify construction of the proposed Polar Gas Pipeline from the Arctic Islands to southern Ontario and to evaluate more promising oil structures on Banks and Cameron Islands.

Bankeno also holds direct interests ranging from 2.5% to 17.5% in approximately seven million acres of oil and gas permits, most of which are farmed out to Panarctic. Bankeno's net interest in these permits is 564,473 acres. Two wells are currently being drilled by Panarctic on lands adjacent to properties on Banks Island in which Bankeno has an interest.

Bankeno has a 40% working interest in the Edwand gas project referred to under ''Oil and Gas Holdings''.

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## OIL AND GAS HOLDINGS

### NORTH COLEMAN

During 1974 UCR acquired a 5.3316% working interest in the huge North Coleman Sour Gas Project in Southwestern Alberta for $693,750. Effectively this interest was acquired by the issue of UCR shares at $3.50 per share and the sale of some shares of Bankeno owned by UCR at $4.17 per share. To date, three wells have been drilled and completed in the Devonian and Mississippian formations in this project. Recent independent engineering and economic evaluations indicate total proven probable net gas reserves after all royalties of 190 billion cubic feet, of which UCR's share would be 10.1 billion cubic feet. A gas purchase contract has been signed, and a gas processing contract for the North Coleman gas production is now well in progress. It is expected that the field will come on production in April 1975 at a rate of 20 million cubic feet per day. After the first year, production is expected to double to 40 million cubic feet per day.

### EDWAND

UCR has a 10% working interest in the Edwand gas project in North-Central Alberta. A gas sales contract has recently been executed for the sale of gas production from this property. Production is expected to start shortly. Natural gas reserves for the project are calculated at 8.0 billion cubic feet allowing a gas sale volume of 1.1 million cubic feet per day.

### CHAUVIN

UCR has a 12½% working interest in approximately 40,000 acres of land in the Chauvin area of East-Central Alberta. 19 wells have been drilled in this area during the past seven years with rather mixed results. Four potential oilwells were drilled and completed, of which two are on intermittent production. Two potential gas wells were drilled and these are awaiting additional gas reserve expansion in order to make an economical gas project.

### VIKING OIL AND GAS

Acquisition of low risk, shallow oil and gas properties in Alberta continues in partnership with Viking Oil and Gas Limited. Geophysical work has been completed on some properties, with selective drilling to commence early in 1975.

Design & Co-ordination:
PETER DURHAM DODD
Toronto

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